

2001**Net Operating Loss (NOL) Computation and
Limitation - Pierce's Disease****3805D**

Attach to your California tax return.

Social security or California corporation number

Name(s) as shown on return

FEIN

- A.** Check the appropriate box for your entity type: ☐ Individual ☐ Estate
☐ Trust ☐ C corporation ☐ S corporation ☐ Exempt organization
☐ Partnership ☐ Limited liability company ☐ Limited liability partnership

Secretary of State file number

- B.** Enter the address (actual location) where the area affected by Pierce's disease and its vectors is located:

Part I Computation of Current Year NOL and NOL Carryover — Farming Area Affected by Pierce's Disease and its Vectors (PDV)**Section A1 — Computation of Current Year NOL — Individuals and Exempt Trusts**

- 1** Adjusted gross income from 2001 Form 540, line 17 or 2001 Long Form 540NR, line 17. If negative, use brackets.
 Estates and trusts, begin on line 3 **1** _____
- 2** Itemized deductions or standard deduction from 2001 Form 540, line 18 or 2001 Long Form 540NR, line 18 **2** (_____)
- 3 a** Combine line 1 and line 2. (Estates and trusts, enter taxable income, see instructions.) If negative, use brackets.
 If positive, enter -0- here and on line 20 and do not complete the rest of Part I, Section A1; you do not have a
 current year NOL **3a** _____
- b** 2001 designated disaster loss included in line 3a. Enter as a positive number **3b** _____
- c** Combine line 3a and line 3b. If negative, use brackets and continue to line 4. If zero or more, do not complete the
 rest of Part I, Section A1. You do not have a current year NOL **3c** _____

Note: Enter amounts on line 4 through line 26 as if they were all **positive** numbers. See instructions.

- 4** Nonbusiness capital losses **4** _____
- 5** Nonbusiness capital gains. See instructions **5** _____
- 6** If line 4 is more than line 5, enter the difference; otherwise, enter -0- **6** _____
- 7** If line 4 is less than line 5, enter the difference; otherwise, enter -0- **7** _____
- 8** Nonbusiness deductions **8** _____
- 9** Nonbusiness income other than capital gains **9** _____
- 10** Add line 7 and line 9 **10** _____
- 11** If line 8 is more than line 10, enter the difference; otherwise, enter -0- **11** _____
- 12** If line 8 is less than line 10, enter the difference; otherwise, enter -0- **12** _____
- 13** Business capital losses **13** _____
- 14** Business capital gains. See instructions **14** _____
- 15** Add line 12 and line 14 **15** _____
- 16** If line 13 is more than line 15, enter the difference; otherwise, enter -0- **16** _____
- 17** Add line 6 and line 16 **17** _____
- 18** Enter the loss, if any, from line 8 of Schedule D (540). (Estates and trusts, enter the loss, if any,
 from line 9, column (c), of Schedule D (541).) If you do not have a loss on that line (and do not
 have an R&TC Section 18152.5 exclusion), skip line 18 through line 23 and enter on line 24 the
 amount from line 17. **18** _____
- 19** R&TC Section 18152.5 exclusion. Enter as a positive number **19** _____
- 20** Subtract line 19 from line 18. If zero or less, enter -0- **20** _____
- 21** Enter the loss, if any, from line 9 of Schedule D (540). (Estates and trusts, enter the loss, if any,
 from line 10 of Schedule D (541).) Enter as a positive number **21** _____
- 22** If line 20 is more than line 21, enter the difference; otherwise, enter -0- **22** _____
- 23** If line 21 is more than line 20, enter the difference; otherwise, enter -0- **23** _____
- 24** Subtract line 22 from line 17. If zero or less, enter -0- **24** _____
- 25** NOL and disaster loss carryovers from prior years. See instructions **25** _____
- 26** Add line 11, line 19, line 23, line 24, and line 25 **26** _____
- 27** Combine line 3c and line 26. If more than zero, enter -0-. You do not have a current year NOL to carryover **27** _____
- 28** Enter average apportionment percentage from Part II, Section A, line 4 **28** _____
- 29** Multiply line 27 by line 28. Enter here and in Part I, Section C, line 1, column (e). This is your PDV NOL carryover
 from 2001 to 2002 **29** _____

Section A2 — Nonresidents and Part-Year Residents Only — Computation of Current Year California NOL

Do not complete this section if Section A1, line 27 is zero.

Note: Enter amounts on line 32 through line 37 as if they were all **positive** numbers.

32	Enter the NOL from all sources from Section A1, line 27	32	_____
33	Enter the California adjusted gross income from 2001 Long Form 540NR, line 25, if it is a loss. If it is not a loss, you do not have a California NOL	33	_____
34	California source NOL amount from 2001 Schedule CA (540NR), line 21d, column B, plus net capital loss from 2001 Schedule CA (540NR), line 13, column E	34	_____
35	If line 33 is more than line 34, enter the difference; otherwise, enter -0-	35	_____
36	Enter the smaller of line 32 or line 35	36	_____
37	Multiply line 36 by the apportionment percentage from Part II, Section A, line 4. Enter the amount here and in Part I, Section C, line 1, column (e). This is your PDV NOL carryover from 2001 to 2002	37	_____

Section B Computation of Current Year NOL — Corporations

1	Net loss for state purposes from Form 100, line 18; Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number. Note: Apportioning corporations, enter the amount from Schedule R, line 12 here, and enter zero on line 2b and line 2c	1	_____
2 a	2001 disaster loss included in line 1. Enter as a positive number	2a	_____
b	Nonbusiness income included in line 1. Enter as a negative number	2b	_____
c	Nonbusiness losses included in line 1. Enter as a positive number	2c	_____
d	Combine line 2a through line 2c	2d	_____
3	Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year PDV NOL	3	_____
4	Enter the average apportionment percentage from Part II, Section A, line 4	4	_____
5	Multiply line 3 by line 4. Enter here and in Part I, Section C, line 1, column (e). This is the corporation PDV NOL carryover from 2001 to 2002	5	_____

Section C NOL Carryover

(a) Description	(b) Carryover from prior years	(c) Amount deducted this year	(d) Balance available to offset losses	(e) NOL carryover to 2002
1 NOL carryover beginning in 2001 Enter the total from column (e) on Form 100 or Form 100W, line 21; Form 100S, line 19; Form 109, line 3 or line 11; Schedule CA (540), line 21(e), column B; or Schedule CA (540NR), line 21(e), column B.				

Part II Apportionment – Farming Area Affected by Pierce's Disease and its Vectors (PDV)**Section A Loss Apportionment (For the computation of current year net operating loss only)**

Use Part II, Section A, if your business has a net loss from sources within and outside a farming area affected by PDV

	(a) Total within and outside California	(b) Total within an area affected by PDV	(c) Percentage area affected by PDV (column (b) ÷ column (a))
PROPERTY FACTOR			
1 Average yearly value of owned real and tangible personal property used in the farming business (at original cost). See General Information C. Exclude property not connected with the business.			
Inventory			
Buildings			
Machinery and equipment			
Furniture and fixtures			
Delivery equipment			
Land			
Other tangible assets. Attach schedule			
Rented property used in the business. See General Information C			
Total property values			
PAYROLL FACTOR			
2 Employees' wages, salaries, commissions, and other compensation related to business income.			
Total payroll			
3 Total percentage. Add the percentages in column (c) ..			
4 Average apportionment percentage (1/2 of line 3). Enter here and on form FTB 3805D, Part I, Section B, line 4; or Part I, Section A1, line 28; as applicable			

Note: The average apportionment percentage shown above on Part II, Section A, line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the affected area. Those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the affected area, then the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

Instructions for Form FTB 3805D

Net Operating Loss (NOL) Computation and Limitation – Pierce’s Disease

General information

For taxable years beginning on or after January 1, 2001, and before January 1, 2003, farmers are allowed a deduction for losses sustained due to Pierce’s disease and its vectors (PDV) in California. This loss may create an NOL which can be carried forward for nine years at 100%. The PDV NOL can be deducted only against income apportioned to the area affected by Pierce’s disease using a two-factor formula.

To claim these NOLs the California Department of Food and Agriculture (CDFA) must determine that a pest infestation has occurred due to Pierce’s disease. For more information go to the CDFA Website at: www.cdfa.ca.gov or call (916) 322-2804.

PDV NOL Election. A taxpayer must **elect**, on a timely filed tax return, to carry forward an NOL due to PDV. Once the election is made, no other type of NOL can be carried forward from that tax year. Taxpayers must elect and designate the carryover category on the original return for the year of a loss and file form FTB 3805D for each year in which an NOL deduction is being taken. The election is irrevocable.

S Corporations. Pierce’s disease NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. However, an S corporation is allowed to deduct a Pierce’s disease NOL incurred after the “S” election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

A Purpose

Use this form to determine the correct amount of NOL that you can claim for losses sustained due to PDV. Attach form FTB 3805D to your California tax return.

B Definitions

Pierce’s disease. Pierce’s disease is a pathogen that cause a plant killing bacterium which attacks a plant’s water-conducting tissues.

Vector. A vector is an insect that carries and transmits a disease-causing organism. The specific “vector” in Pierce’s disease is the glassy-winged sharpshooter.

Affected Area. The affected area is that area determined by the CDFA as having a pest infestation resulting from Pierce’s disease and its vectors.

C Determining the Loss

For taxable year 2001, compute your loss apportionment using Part II, Section A. Then, complete Part I, Section A1, A2, or Section B and enter the result on Part I, Section C, line 1, column (e).

The PDV NOL deduction is that portion of a taxpayer’s business loss which is attributable to the affected area. PDV NOL can offset only farming business income attributable to the affected area.

Farming business income is generally determined by the transactions and activities in the regular course of the farming trade or business as related to the production of crops, fruits, or other agricultural products or for the sustenance of livestock.

Note: The computation of eligible farming business income apportioned to an affected area is different than the PDV NOL computation.

PDV Loss. Use Part II, Section A, Loss Apportionment, to determine your net operating loss apportioned to the affected area. The loss from the PDV is determined by apportioning to an affected area by multiplying the taxpayer’s total loss from all sources by a fraction, the numerator which is the property factor plus the payroll factor, and the denominator which is two.

Property Factor. Property is defined as the average value of all real and tangible personal property owned or rented by the business and used during the taxable year. Rented property is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less total annual sub-rental rates paid by subtenants.

When determining the **loss** apportionment on Part II, Section A, the **numerator** of the property factor is the average value of the taxpayer’s real and tangible personal property owned or rented and used within the affected area during the taxable year “column (b).”

The **denominator** of the property factor is the average value of all the taxpayer’s real and tangible personal property owned or rented and used during the taxable year in all business operations “column (a).”

Payroll Factor. Payroll is defined as the total amount paid to the business’s employees for compensation for the production of business income during the taxable year. Compensation means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services.

When determining the **loss** apportionment on Part II, Section A, the **numerator** of the payroll factor is the total amount paid for compensation by the taxpayer in an affected area during the taxable year.

The **denominator** of the payroll factor is the total compensation paid by the taxpayer in all business operations during the taxable year.

If a loss carryover is allowable for any taxable year after Pierce’s disease has occurred, the affected area will be deemed to remain in existence for the purposes of computing the allowable loss.

Instructions for Part I — Computation of Current Year NOL and NOL Carryover

Individuals and exempt trusts with a current year loss should complete Section A1, or Section A2. Corporations with a current year loss should complete Section B.

Section A1 – Computation of Current Year NOL — Individuals and Exempt Trusts

Use this section to compute the PDV NOL to be carried over to future years by individuals and exempt trusts. Complete Section A1 **only** if you have a current year loss.

You must complete form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts, before you can compute the allowable PDV loss.

To compute the PDV NOL, separate business income and deductions from nonbusiness income and deductions.

Line 3 – Estates or trusts, enter the amount from your 2001 Form 541, line 20 or Form 109, line 14.

Line 4 through Line 7 – You may deduct nonbusiness capital losses up to the amount of nonbusiness capital gains. You may not deduct any excess of nonbusiness capital losses over nonbusiness capital gains.

Nonbusiness capital losses and gains are losses and gains from other than a trade or business. These include sales of stock, metals, and other appreciable assets as well as any recognized gain from the sale of your principal residence.

Note: Enter your nonbusiness capital gains without regard to any R&TC Section 18152.5 exclusion.

Line 8 – Enter deductions that are not related to a trade or business and are not related to your employment (such as taxes, medical expenses, alimony, charitable contributions, and your contributions to individual retirement plans). If you do not itemize your deductions, your nonbusiness deductions include the standard deduction. A casualty loss is considered a “business expense” regardless of whether it is connected with a trade or business; do not include it as a nonbusiness deduction.

Line 9 – Enter income that is not related to a trade or business (such as dividends, pensions, annuities, income from an endowment, or interest earned on investments).

Line 10 through Line 12 – You may subtract nonbusiness deductions only from nonbusiness income, including any nonbusiness capital gains that remain after deducting nonbusiness capital losses. If your nonbusiness deductions are larger than your nonbusiness income, you may not deduct the excess.

Line 13 through Line 16 – You may deduct business capital losses only up to the total of business capital gains and any nonbusiness capital gains that remain after deducting nonbusiness capital losses and other nonbusiness deductions.

Note: Enter your business capital gains without regard to any R&TC Section 18152.5 exclusion.

Line 19 – Enter the amount of gain from small business stock that you excluded from gross income under R&TC Section 18152.5 (enter as a positive number).

Line 25 – Enter the amount of your prior year NOL and disaster loss carryovers from Schedule CA (540 or 540NR) line 21b, line 21d, and line 21e, column B or Form 541, line 15a.

Section A2 — Nonresidents and Part-Year Residents Only – Computation of Current Year California NOL

Line 34 – Enter the amount of any NOL carried over from a prior year that is included on Schedule CA (540NR), line 21d, column B, plus any net capital loss amount on Schedule CA (540NR), line 13, column E.

Section B – Computation of Current Year NOL — Corporations

Use this section to compute the NOL to be carried over to future years for corporations. Complete Section B **only** if the corporation has a current year loss.